

**CITY OF DYSART, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2013**

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**City of Dysart**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pam Thiele	Mayor	January 2016
Tom Brandt	Council Member	January 2014
Bret Hennessy	Council Member	January 2014
Tim Glenn	Council Member	January 2014
Don Zeien	Council Member	January 2016
Mary Wankowicz	Council Member	January 2016
Roxanne Schneider	City Clerk	indefinite
Kelli Knoop	Deputy City Clerk	indefinite
Nancy Burk	City Attorney	indefinite



James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

14 East Charles St, PO Box 639  
Oelwein, IA 50662  
(319)283-1173  
Fax (319)283-2799

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council:

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

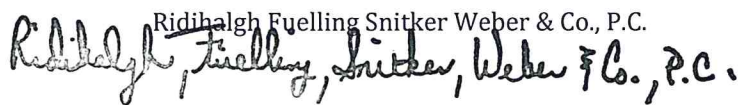
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 12 and page 29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Require by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2013 on our consideration of the City of Dysart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dysart's internal control over financial reporting and compliance.

Ridihalgh Fuelling Snitker Weber & Co., P.C.  


October 25, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased significantly from fiscal year 2012 to fiscal year 2013. Total governmental revenues (excluding transfers) were \$1,251,416 in FY12, and \$2,323,803 in FY13. The increase can be attributed to the issuance of \$1,320,000 in general obligation bonds. The purpose of the bonds was to refund the 2003 Aquatic Center General Obligation Bond, and to issue new debt for the 2013 Talmage Street Improvements Project. Property tax revenues increased approximately \$15,000, while TIF revenues decreased slightly, from \$87,129 in fiscal year 2012, to \$85,072 in fiscal year 2013.
- Governmental disbursements increased approximately \$340,000 from fiscal year 2012 to fiscal year 2013. Capital project expenses decreased by \$288,543. Public Safety disbursements increased from \$281,277 in FY12, to \$344,976 in FY13. The increase can be attributed to the hiring of a second full-time officer in the Police Department. Expenses and revenues for Dysart Fire Fighter's Inc. are also included in the FY 13 Public Safety Program for the first time, which accounts for an increase in both revenues and expenses. Public works expenditures decreased approximately \$122,000, Culture & Recreation expenses decreased approximately \$40,000, and Community & Economic Development expenses increased by \$3,774. General government expenses showed a decrease from \$71,606 to \$56,963. Debt Service expenses increased from \$249,189 in FY12 to \$985,504 in FY13. This was due to the refunding of the 2003 Aquatic Center General Obligation Bond Issue. Business type expenses (excluding transfers) were steady, at \$1,682,879 in FY12, and \$1,684,596 in FY13. Debt Service Expenditures within the Business type Function were \$73,300, as compared to \$75,860 last year. The Electric Revenue Debt Issue was retired on June 1, 2013.
- The City's total cash basis net position increased by \$566,982 from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities increased by \$524,562; the assets of the business type activities increased by \$42,420.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.



The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

## Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Garbage and Electric Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased during FY 13, increasing from \$1,503,214 to \$2,027,776. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net position of Governmental Activities		
	Year ended June 30,	
	2013	2012
Receipts & transfers:		
Program Receipts:		
Charges for service	\$127,567	\$173,686
Capital grants, contributions and restricted interest	0	922
Operating grants, contributions and restricted interest	152,583	281,863
General Receipts:		
Property Tax	442,134	426,879
Local option sales tax	89,858	107,500
TIF Revenues	85,072	87,129
Other city tax	1,918	1,306
Unrestricted investment earnings	11,574	12,778
Bond proceeds	1,310,100	0
Other general receipts	100,510	115,468
Special Assessments	2,487	43,885
Net Transfers in (out)	<u>54,996</u>	<u>260,000</u>
Total receipts & transfers	2,378,799	1,511,416
Disbursements:		
Public Safety	344,976	281,277
Public Works	76,714	198,521
Health and social services	0	0
Culture and recreation	207,549	247,952
Community & economic development	15,405	11,631
General government	56,963	71,606
Debt Service	985,504	249,189
Capital projects	<u>167,126</u>	<u>455,669</u>
Total disbursements	1,854,237	1,515,845
Increase (decrease) in cash basis net position	524,562	(4,429)
Cash basis assets beginning of year	1,503,214	1,442,224
Cash basis assets end of year	<u>\$2,027,776</u>	\$1,437,795
Dysart Fire Fighters Inc. Balance 7/1/13		<u>65,419</u>
(Included FY 12/13 audit for first time)		<u>1,503,214</u>

The City's total receipts for governmental activities, excluding net transfers in, increased by approximately \$1,072,387, from \$1,251,416 to \$2,323,803. The primary reason for the increase was issuance of general obligation bonds to finance the 2013 Talmage Street Improvements Project, and to refund the 2003 Aquatic Center General Obligation Bonds. Expenditures showed a substantial increase due to the issuance of the general obligation bonds; however, a substantial portion of the bond proceeds was used to refund the 2003 Aquatic Center G.O. Bond and reissue at a much lower interest rate. In addition, the Aquatic Center Bonds were reissued at an 8-year repayment schedule, rather than the original remaining 10-year schedule. This action will save the City of Dysart approximately \$115,000 in interest costs. The total cost of all programs and services increased by approximately \$338,392.

Property tax rates for decreased slightly in fiscal year 2013, at a rate of \$12.6154/\$1000, as compared to a rate of \$12.75571/\$1000 in fiscal year 2012. Overall property tax revenues were slightly higher, increasing \$15,255, from \$426,879 to \$442,134. TIF revenues decreased from \$87,129 during FY12 to \$85,072 during FY13. Local option sales and other city tax revenues decreased from \$107,500 received during fiscal year 2012, to \$89,858 received in fiscal year 2013. However, the FY13 revenues were in line with previous years. The Department of Revenue made an error in calculating revenues during FY12, and we were receiving funds that should have been remitted to the City of Toledo during that fiscal year. Once the error was discovered, the Department began reducing our payments to correct the error, and we are now receiving the appropriate allocations. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenses increased due to the addition of a second full-time officer to the Dysart Police Department. Public Works and Culture & Recreation program areas showed decreases in spending. Community & Economic Development showed a slight increase, and General Government showed a decrease in spending, from \$71,606 in FY12 to \$56,963 in FY13. Debt Service showed a significant increase, from \$249,189 in FY12 to \$985,504 in FY13. Again, this was due to the refunding of the 2003 Aquatic Center General Obligation Bonds. Capital Projects showed a significant decrease, from \$455,669 in FY12 to \$167,126 in FY13. This was due to the completion of the 2012 State Street Water Project, the bulk of which was completed in FY12. Fiscal Year 2012 capital projects expenses were also higher due to rebuilding following the July 2011 Windstorm.

Changes in Cash Basis Net position of Business Type Activities		
	Year ended June 30,	
	2013	2012
Receipts & transfers:		
Program Receipts:		
Charges for service		
Water	\$ 307,248	\$ 289,482
Sewer	87,835	86,025
Electric	1,231,863	1,165,328
Garbage	195,216	211,398
Capital grants, contributions and restricted interest	10,000	0
General Receipts:		
Unrestricted investment earnings	7,201	8,929
Bond proceeds	0	0
Other general receipts	15,949	127,449
Transfers in	0	0
Total receipts & transfers	1,855,312	1,888,611
Disbursements:		
Water	280,399	282,611
Sewer	104,555	69,962
Electric	1,088,630	1,107,296
Garbage	211,012	223,010
Debt Service	73,300	75,860
Transfers out	54,996	260,000
Total disbursements & transfers	1,812,892	2,018,739
Increase (decrease) in cash basis net position	42,420	(130,128)
Cash basis assets beginning of year	1,494,380	1,624,508
Cash basis assets end of year	<u>\$1,536,800</u>	<u>\$1,494,380</u>

Total business type activities receipts and transfers in for the fiscal year decreased approximately \$33,000 from the previous year, coming in at \$1.85 million compared to \$1.89 million last year. Some of the decrease can be attributed to decreased revenues in the garbage fund. Garbage service in the City was privatized on September 1, 2011, after the City of Traer elected not to renew the existing contract. Fiscal year 11/12 included two months service with the City of Traer. In addition, Other General Revenues in FY 12 included the sale of sanitation equipment. The water fund showed an increase in revenues, but expenses held steady for the year. The electric fund showed an increase in revenues, and expenses also held steady from FY 12 to FY 13.



## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$2,027,776, a significant increase from last year's total of \$1,503,214. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$40,928 from the prior year to \$1,042,712.
- The Debt Service, Pool Debt Fund. The City refunded the 2003 Aquatic Center General Obligation Bonds, and issued \$760,000 in G.O. bonds for that purpose and to cover the issuance costs. The Pool Bond Fund showed a balance of \$9,692 due to the fact that the issuance costs were slightly lower than anticipated.
- The Capital Projects, Talmage Street Fund was established this year for a street construction program. The City issued \$560,000 in General Obligation Bonds to finance these improvements.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$33,471 to \$120,253. The City will build cash reserves for future water main replacement projects.
- The Electric Fund cash balance increased by approximately \$111,000 to \$1,144,501. Cash reserves will be used for future capital improvement projects.
- The Garbage Fund cash balance decreased by about \$8,600 to \$147,474.

## BUDGETARY HIGHLIGHTS

The City amended its budget on April 10, 2013. The purpose of the amendment was to account for the bond issue to refinance the 2003 Aquatic Center bonds, and to finance the 2013 Talmage Street Improvement Project. The City also saw an increase in wholesale water rates. In addition, Summer Recreation, Aquatic Center, Tree Board and Beautification expenses were greater than anticipated.

## DEBT ADMINISTRATION

On June 30, 2013, the City had \$2,440,000 in bonds and other long-term debt, compared to \$2,085,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2013	2012
General obligation bonds & notes	2,440,000	2,015,000
Revenues bonds	<u>0</u>	<u>70,000</u>
Total	<u>\$2,440,000</u>	<u>\$2,085,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$3,277,257. With outstanding general obligation debt of \$2,440,000, the city was using approximately 74% of its constitutional debt limit at fiscal year end.



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2014 will increase to \$12.83036/\$1000 in valuation, compared to \$12.61254/\$100 in fiscal year 2013. The FY 13 levy had decreased from the levy of \$12.75571/\$1000 in fiscal year 2012.

The City has awarded a contract for storm sewer improvements along Fairlane and Sherman Streets. That project will begin mid-October, and should be completed by early December. The FY 14 budget will be amended to include these improvements, as well as the joint purchase

The City is also contemplating major renovations and upgrades to the Dysart Community Building. Planning is in the early stages, and funding options are currently being considered.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

**City of Dysart**

## **Basic Financial Statements**

## City of Dysart

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 344,976	96,748	63,164	-
Public works	76,714	-	132,061	-
Health and social services	-	-	-	-
Culture and recreation	207,549	31,645	11,180	299
Community and economic development	15,405	5,144	-	-
General government	56,963	13,232	21,413	-
Debt service	985,504	-	-	-
Capital projects	167,126	-	560,380	434
Total governmental activities	1,854,237	146,769	788,198	733
Business type activities:				
Water	280,399	308,568	-	-
Electric	1,088,630	1,239,764	10,000	-
Electric Debt	73,300	-	-	-
Garbage	211,012	201,943	-	-
Sewer	104,555	87,835	-	-
Total business type activities	1,757,896	1,838,110	10,000	-
Total	\$ 3,612,133	1,984,879	798,198	733
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Other city tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements



Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(185,064)	-	(185,064)
55,347	-	55,347
-	-	-
(164,425)	-	(164,425)
(10,261)	-	(10,261)
(22,318)	-	(22,318)
(985,504)	-	(985,504)
393,688	-	393,688
(918,537)	-	(918,537)
-	28,169	28,169
-	161,134	161,134
-	(73,300)	(73,300)
-	(9,069)	(9,069)
-	(16,720)	(16,720)
-	90,214	90,214
(918,537)	90,214	(828,323)
382,195	-	382,195
85,072	-	85,072
59,939	-	59,939
89,103	-	89,103
2,673	-	2,673
4,142	7,202	11,344
764,979	-	764,979
54,996	(54,996)	-
1,443,099	(47,794)	1,395,305
524,562	42,420	566,982
1,503,214	1,494,380	2,997,594
\$ 2,027,776	1,536,800	3,564,576
\$ 12,338	66,000	78,338
362,361	93	362,454
1,653,077	1,470,707	3,123,784
\$ 2,027,776	1,536,800	3,564,576

## City of Dysart

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2013

	Debt Service		Capital Project	Other Nonmajor Governmental Funds	Total
	General	Pool Debt	Talmage Street		
Receipts:					
Property tax	\$ 314,384	-	-	127,750	442,134
Tax increment financing collections	-	-	-	85,072	85,072
Other city tax	1,918	-	-	89,858	91,776
Licenses and permits	5,030	-	-	-	5,030
Use of money and property	9,041	509	383	1,641	11,574
Intergovernmental	13,384	-	-	139,199	152,583
Charges for service	125,545	-	-	2,022	127,567
Special assessments	-	-	-	2,487	2,487
Miscellaneous	50,095	-	-	45,112	95,207
Total receipts	519,397	509	383	493,141	1,013,430
Disbursements:					
Operating:					
Public safety	324,297	-	-	20,679	344,976
Public works	2,793	-	-	73,921	76,714
Health and social services	-	-	-	-	-
Culture and recreation	207,549	-	-	-	207,549
Community and economic development	15,405	-	-	-	15,405
General government	56,963	-	-	-	56,963
Debt service	-	842,039	-	143,465	985,504
Capital projects	-	-	123,582	43,544	167,126
Total disbursements	607,007	842,039	123,582	281,609	1,854,237
Excess (deficiency) of receipts over (under) disbursements	(87,610)	(841,530)	(123,199)	211,532	(840,807)
Other financing sources (uses):					
Miscellaneous	273	759,858	550,242	-	1,310,373
Operating transfers in/(out)	128,265	91,364	-	(164,633)	54,996
Total other financing sources (uses)	128,538	851,222	550,242	(164,633)	1,365,369
Net change in cash balances	40,928	9,692	427,043	46,899	524,562
Cash balances beginning of year	1,001,784	-	-	501,430	1,503,214
Cash balances end of year	\$ 1,042,712	9,692	427,043	548,329	2,027,776
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ -	9,692	-	2,646	12,338
Other purposes	-	-	-	362,361	362,361
Committed for:					
Debt service	-	-	-	110,090	110,090
Capital purchases	-	-	427,043	13,601	440,644
Assigned	-	-	-	59,631	59,631
Unassigned	1,042,712	-	-	-	1,042,712
Total cash basis fund balances	\$ 1,042,712	9,692	427,043	548,329	2,027,776

See notes to financial statements

## City of Dysart

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2013

<b>Total governmental funds cash balances (page 18)</b>	\$2,027,776
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net position of governmental activities (page 16)</b>	<u><u>\$2,027,776</u></u>
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<b>Net change in cash balances (page 18)</b>	\$ 524,562
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash basis net position of governmental activities (page 16)</b>	<u><u>\$ 524,562</u></u>
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See notes to financial statements

## City of Dysart

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds				Total
	Water	Electric	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 298	5,463	421	1,019	7,201
Charges for service	307,248	1,231,863	195,216	87,835	1,822,162
Miscellaneous	1,320	17,901	6,728	-	25,949
Total operating receipts	308,866	1,255,227	202,365	88,854	1,855,312
Operating disbursements:					
Business type activities	280,399	1,088,630	211,012	177,855	1,757,896
Total operating disbursements	280,399	1,088,630	211,012	177,855	1,757,896
Excess (deficiency) of operating receipts over (under) operating disbursements	28,467	166,597	(8,647)	(89,001)	97,416
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	-	-	-	-	-
Total non-operating receipts (disbursements)	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	28,467	166,597	(8,647)	(89,001)	97,416
Operating transfers in/(out)	5,004	(55,721)	-	(4,279)	(54,996)
Net change in cash balances	33,471	110,876	(8,647)	(93,280)	42,420
Cash balances beginning of year	86,782	1,033,625	156,121	217,852	1,494,380
Cash balances end of year	\$ 120,253	1,144,501	147,474	124,572	1,536,800
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ -	-	-	66,000	66,000
Other purposes	-	-	-	93	93
Unassigned	120,253	1,144,501	147,474	58,479	1,470,707
Total cash basis fund balances	\$ 120,253	1,144,501	147,474	124,572	1,536,800

See notes to financial statements



City of Dysart

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2013

<b>Total enterprise funds cash balances (page 20)</b>	\$ 1,536,800
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net position of business type activities (page 16)</b>	<u>\$ 1,536,800</u>
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<b>Net change in cash balances (page 20)</b>	\$ 42,420
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash basis net position of business type activities (page 16)</b>	<u>\$ 42,420</u>
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See notes to financial statements

City of Dysart

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Dysart has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Dysart (the primary government), and the following component unit: Dysart Fire Fighters, Incorporated. This component unit is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Units**

Dysart Fire Fighters, Incorporated (Corporation) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Corporation is legally separate from the City, its purposes and objectives are to benefit the City of Dysart by providing assistance to the City in execution and performance of responsibilities to the citizens of Dysart and vicinity with regard to the study and advancement of the science of fire prevention, protection and suppression, and general emergency response and to conduct civic and social services, charitable and fundraising activities which support the City.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the

participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's Department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Poweshiek Water Association, Resale Power Group of Iowa (RPGI), Tama County Emergency Communications Network, Inc. (CodeRED), and Tama County Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.



The Debt Service—Pool Debt Fund is used to account for payment of principal and interest on the City's general long-term debt related to the City's aquatic center capital improvement project.

The Capital Project—Talmage Street Project Fund is utilized to account for bond receipts to be used for, and the payment of, project expenditures related to the Talmage Street improvement project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Garbage Fund accounts for the garbage collection services contracted by the City.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes but are neither restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development function prior to amendment.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$ 876,135</u>	<u>\$ 876,135</u>	Various

Interest rate risk - The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds the "target balance" and places them into retail repurchase agreement, or "Repo". The target balance changes from month to month and is based on the previous month's disbursements, average daily balance, etc. The Repos evidence a borrowing to



be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily. During the year ended June 30, 2013, the target balance varied from \$63,000 to \$278,000.

### (3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2014	\$ 225,000	62,733
2015	235,000	55,790
2016	240,000	51,573
2017	245,000	46,900
2018	250,000	41,713
2019-2023	945,000	120,540
2024-2028	300,000	19,028
Total	\$ 2,440,000	398,277

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

#### Revenue Notes

The City has pledged future electric customer net revenues to repay \$600,000 of electric revenue notes issued in March 2003. Proceeds from the notes provided financing for the construction of electrical improvements. The notes are payable solely from electric customer net revenues and are payable through 2013. The notes were paid off in June 2013. For the current year, principal and interest paid were \$72,800.

### (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$34,797, \$32,227, and \$32,909, respectively, equal to the required contributions for each year.



**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 7 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. The City's deductibles for the plan are \$3,000 for single and \$6,000 for family and it self funds half of the deductible, or \$1,500 for single and \$3,000 for family, for each participant. A third party administrator, Advantage Administrators, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$495 for single coverage and \$1,237 for family coverage. For the year ended June 30, 2013, the City contributed \$87,668 and plan members eligible for benefits contributed \$15,471 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2013 was \$13,115. This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 68,265
	Enterprise:	
	Electric	60,000
Debt Service:		
Pool Debt	Special Revenue:	
	Local Option Sales Tax	73,191
	Tax Increment Financing	18,173
2006 Infrastructure Debt	Special Revenue:	
	Tax Increment Financing	48,932
	Debt Service:	
	Debt Service Levy	33,443
2010 Infrastructure Debt	Special Revenue:	
	Tax Increment Financing	18,500
	Debt Service:	
	Debt Service Levy	26,390
Enterprise:		
Water	Capital Project:	
	State Street Water Project	5,004
Electric	Enterprise:	
	Electric Revenue Reserve	40,679
Electric Revenue Debt	Enterprise:	
	Electric	36,400
	Electric Revenue Reserve	30,604
Total		<u>\$ 459,581</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials during the year ended June 30, 2013 totaling \$1,389.

**(9) Commitments**

In March 1994, the City agreed to pay the Medicare and drug supplement for a retired City employee. The cost to the City for the year ended June 30, 2013 was \$3,355.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2013. The rates for such purchases are subject to review annually.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through 2038. The rates for such purchases are subject to review annually.

The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2013, the most recent date for which such information is available, is approximately \$1,835,800. The Commission has accumulated resources to fund these costs and, at June 30, 2013, assets of \$2,035,800 are restricted for these purposes.

**(10) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Litigation**

As a member of the Resale Power Group of Iowa, the City of Dysart is currently a party to litigation of Central Iowa Power Cooperative (CIPCO), v. RPGI, City of Dysart, and all other member utilities. All parties have agreed to a settlement, which is pending approval of the Federal Energy Regulatory Commission. Once FERC approval has been granted, the City of Dysart will be responsible for a monthly payment of \$364.75 for a period of 5 years. At that point, all claims will be considered settled.

**(12) Subsequent Event**

In September 2013 the City accepted a bid totaling \$267,637.55 for a storm sewer improvement project. The City also approved purchasing a fire truck jointly with a local fire association at a total cost of \$224,000.

In October 2013 the City approved the purchase of a dump truck for \$107,248. The City also passed a resolution affirming support for a community building and park improvement project. Estimated cost of the project is \$708,234 and construction expected to begin in May 2014.

## **Other Information**



City of Dysart

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 442,134	-	-
Tax increment financing collections	85,072	-	-
Other city tax	91,776	-	-
Licenses and permits	5,030	-	-
Use of money and property	11,574	7,201	279
Intergovernmental	152,583	-	-
Charges for service	127,567	1,822,162	2,022
Special assessments	2,487	-	-
Miscellaneous	95,207	25,949	41,214
Total receipts	1,013,430	1,855,312	43,515
Disbursements:			
Public safety	344,976	-	20,679
Public works	76,714	-	-
Health and social services	-	-	-
Culture and recreation	207,549	-	-
Community and economic development	15,405	-	-
General government	56,963	-	-
Debt service	985,504	-	-
Capital projects	167,126	-	-
Business type activities	-	1,757,896	-
Total disbursements	1,854,237	1,757,896	20,679
Excess (deficiency) of receipts over (under) disbursements	(840,807)	97,416	22,836
Other financing sources (uses), net	1,365,369	(54,996)	-
Excess of receipts and other financing sources over disbursements and other financing uses	524,562	42,420	22,836
Balances beginning of year	1,503,214	1,494,380	65,419
Balances end of year	\$ 2,027,776	1,536,800	88,255

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
442,134	438,910	438,910	3,224
85,072	85,605	85,605	(533)
91,776	77,982	77,982	13,794
5,030	2,425	2,425	2,605
18,496	11,000	11,000	7,496
152,583	137,248	137,248	15,335
1,947,707	1,938,000	1,938,000	9,707
2,487	16,200	16,200	(13,713)
79,942	49,850	49,850	30,092
2,825,227	2,757,220	2,757,220	68,007
324,297	363,200	363,200	38,903
76,714	131,436	136,809	60,095
-	-	-	-
207,549	206,108	215,934	8,385
15,405	11,500	21,794	6,389
56,963	70,938	70,938	13,975
985,504	234,829	994,829	9,325
167,126	320,000	616,554	449,428
1,757,896	1,738,300	1,780,165	22,269
3,591,454	3,076,311	4,200,223	608,769
(766,227)	(319,091)	(1,443,003)	676,776
1,310,373	1,000	1,311,100	(727)
544,146	(318,091)	(131,903)	676,049
2,932,175	3,001,273	3,001,273	(69,098)
3,476,321	2,683,182	2,869,370	606,951

City of Dysart

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,123,912. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the community and economic development function prior to amendment.

### **Supplementary Information**



## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Total
Receipts:				
Property tax	\$ 67,811	59,939	-	127,750
Tax increment financing	85,072	-	-	85,072
Other city tax	89,517	341	-	89,858
Licenses and permits	-	-	-	-
Use of money and property	1,028	409	204	1,641
Intergovernmental	132,061	-	7,138	139,199
Charges for services	2,022	-	-	2,022
Special assessments	-	2,487	-	2,487
Miscellaneous	41,214	898	3,000	45,112
Total receipts	418,725	64,074	10,342	493,141
Disbursements:				
Operating:				
Public safety	20,679	-	-	20,679
Public works	73,921	-	-	73,921
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	143,465	-	143,465
Capital projects	-	-	43,544	43,544
Total disbursements	94,600	143,465	43,544	281,609
Excess (deficiency) of receipts over (under) disbursements	324,125	(79,391)	(33,202)	211,532
Other financing sources:				
Operating transfers in/(out)	(227,061)	67,432	(5,004)	(164,633)
Loan proceeds	-	-	-	-
	(227,061)	67,432	(5,004)	(164,633)
Net change in cash balances	97,064	(11,959)	(38,206)	46,899
Cash balances beginning of year	265,297	124,695	111,438	501,430
Cash balances end of year	\$ 362,361	112,736	73,232	548,329
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ -	2,646	-	2,646
Other purposes	362,361	-	-	362,361
Committed for:				
Debt service	-	110,090	-	110,090
Capital purchases	-	-	13,601	13,601
Assigned	-	-	59,631	59,631
Total cash basis fund balances	\$ 362,361	112,736	73,232	548,329

See accompanying independent auditor's report

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2013

	Road Use	Employee Benefits	Local Option Sales Tax	Tax Increment Financing	Low to Moderate Income Housing	Dysart Fire Fighters, Inc.	Total
Receipts:							
Property tax	\$ -	67,811	-	-	-	-	67,811
Tax increment financing	-	-	-	85,072	-	-	85,072
Other city tax	-	414	89,103	-	-	-	89,517
Licenses and permits	-	-	-	-	-	-	-
Use of money and property	-	40	498	140	71	279	1,028
Intergovernmental	132,061	-	-	-	-	-	132,061
Charges for services	-	-	-	-	-	2,022	2,022
Special assessments	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	41,214	41,214
Total receipts	132,061	68,265	89,601	85,212	71	43,515	418,725
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	20,679	20,679
Public works	73,921	-	-	-	-	-	73,921
Health and social services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	73,921	-	-	-	-	20,679	94,600
Excess (deficiency) of receipts over (under) disbursements	58,140	68,265	89,601	85,212	71	22,836	324,125
Other financing sources:							
Operating transfers in/(out)	-	(68,265)	(73,191)	(85,605)	-	-	(227,061)
Loan proceeds	-	-	-	-	-	-	-
	-	(68,265)	(73,191)	(85,605)	-	-	(227,061)
Net change in cash balances	58,140	-	16,410	(393)	71	22,836	97,064
Cash balances beginning of year	30,630	-	127,538	12,789	28,921	65,419	265,297
Cash balances end of year	\$ 88,770	-	143,948	12,396	28,992	88,255	362,361
<b>Cash Basis Fund Balances</b>							
Restricted for other purposes	\$ 88,770	-	143,948	12,396	28,992	88,255	362,361
Total cash basis fund balances	\$ 88,770	-	143,948	12,396	28,992	88,255	362,361

See accompanying independent auditor's report

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Debt Service Funds

As of and for the year ended June 30, 2013

	Debt Service			
	Debt Service Levy	2006 Infrastructure Debt	2010 Infrastructure Debt	Total
Receipts:				
Property tax	\$ 59,939	-	-	59,939
Tax increment financing	-	-	-	-
Other city tax	341	-	-	341
Licenses and permits	-	-	-	-
Use of money and property	79	139	191	409
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	2,487	-	2,487
Miscellaneous	-	898	-	898
Total receipts	60,359	3,524	191	64,074
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	98,575	44,890	143,465
Capital projects	-	-	-	-
Total disbursements	-	98,575	44,890	143,465
Excess (deficiency) of receipts over (under) disbursements	60,359	(95,051)	(44,699)	(79,391)
Other financing sources:				
Operating transfers in/(out)	(59,833)	82,375	44,890	67,432
Loan proceeds	-	-	-	-
	(59,833)	82,375	44,890	67,432
Net change in cash balances	526	(12,676)	191	(11,959)
Cash balances beginning of year	2,120	57,693	64,882	124,695
Cash balances end of year	\$ 2,646	45,017	65,073	112,736
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 2,646	-	-	2,646
Committed for debt service	-	45,017	65,073	110,090
Total cash basis fund balances	\$ 2,646	45,017	65,073	112,736

See accompanying independent auditor's report

## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2013

	Capital Projects			
	Equipment Replacement	Storm Recovery	State Street Water	Total
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	153	36	15	204
Intergovernmental	-	7,138	-	7,138
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	3,000	3,000
Total receipts	153	7,174	3,015	10,342
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	-	-	-
Capital projects	-	6,322	37,222	43,544
Total disbursements	-	6,322	37,222	43,544
Excess (deficiency) of receipts over (under) disbursements	153	852	(34,207)	(33,202)
Other financing sources:				
Operating transfers in/(out)	-	-	(5,004)	(5,004)
Loan proceeds	-	-	-	-
	-	-	(5,004)	(5,004)
Net change in cash balances	153	852	(39,211)	(38,206)
Cash balances beginning of year	59,478	12,749	39,211	111,438
Cash balances end of year	\$ 59,631	13,601	-	73,232
<b>Cash Basis Fund Balances</b>				
Committed for capital purchases	\$ -	13,601	-	13,601
Assigned	59,631	-	-	59,631
Total cash basis fund balances	\$ 59,631	13,601	-	73,232

See accompanying independent auditor's report



## City of Dysart

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds				Total
	Sewer	Electric Revenue Debt	Electric Revenue Reserve	Project Share	
Operating receipts:					
Use of money and property	\$ 640	43	336	-	1,019
Charges for service	87,835	-	-	-	87,835
Miscellaneous	-	-	-	-	-
Total operating receipts	88,475	43	336	-	88,854
Operating disbursements:					
Business type activities	104,555	73,300	-	-	177,855
Total operating disbursements	104,555	73,300	-	-	177,855
Excess (deficiency) of operating receipts over (under) operating disbursements	(16,080)	(73,257)	336	-	(89,001)
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	-	-	-	-	-
Total non-operating receipts (disbursements)	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(16,080)	(73,257)	336	-	(89,001)
Operating transfers in/(out)	-	67,004	(71,283)	-	(4,279)
Net change in cash balances	(16,080)	(6,253)	(70,947)	-	(93,280)
Cash balances beginning of year	140,559	6,253	70,947	93	217,852
Cash balances end of year	\$ 124,479	-	-	93	124,572
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ 66,000	-	-	-	66,000
Other purposes	-	-	-	93	93
Unassigned	58,479	-	-	-	58,479
Total cash basis fund balances	\$ 124,479	-	-	93	124,572

See accompanying independent auditor's report

City of Dysart  
Schedule of Indebtedness  
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes: Aquatic center	July 1, 2003	2.10 - 4.125%	1,200,000
General Obligation Bonds:			
Infrastructure/Streets	Sept 1, 2006	4.00 - 4.50%	1,200,000
Corporate purpose, Series 2010	March 2, 2010	2.00 - 3.60%	400,000
Corp. purpose & refunding, Series 2013	March 12, 2013	.35 - 2.35%	1,320,000
Revenue Notes:			
Electric	March 1, 2003	1.50 - 4.00%	600,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
800,000	-	800,000	-	30,864	-
800,000	-	800,000	-	30,864	-
885,000	-	60,000	825,000	38,075	-
330,000	-	35,000	295,000	9,390	-
-	1,320,000	-	1,320,000	-	-
1,215,000	1,320,000	95,000	2,440,000	47,465	-
70,000	-	70,000	-	2,800	-
\$ 2,085,000	1,320,000	965,000	2,440,000	81,129	-

## City of Dysart

## Bond and Note Maturities

June 30, 2013

Year Ending June 30,	General Obligation Bond		General Obligation Bond		General Obligation Bond		Total
	2006 Infrastructure/Streets		2010 Infrastructure		Corp. Purpose &Refunding Series 2013		
	Issued Sept 1, 2006		Issued March 2, 2010		Issued March 12, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	4.00	60,000	2.00	40,000	0.35	125,000	225,000
2015	4.05	65,000	2.50	40,000	0.45	130,000	235,000
2016	4.25	65,000	2.75	40,000	0.60	135,000	240,000
2017	4.25	70,000	3.00	40,000	0.75	135,000	245,000
2018	4.25	70,000	3.20	45,000	0.95	135,000	250,000
2019	4.30	75,000	3.40	45,000	1.10	135,000	255,000
2020	4.35	75,000	3.60	45,000	1.30	140,000	260,000
2021	4.45	80,000	-	-	1.45	100,000	180,000
2022	4.45	85,000	-	-	1.900	35,000	120,000
2023	4.50	90,000	-	-	1.900	40,000	130,000
2024	4.50	90,000	-	-	1.90	40,000	130,000
2025	-	-	-	-	2.35	40,000	40,000
2026	-	-	-	-	2.35	40,000	40,000
2027	-	-	-	-	2.35	45,000	45,000
2028	-	-	-	-	2.35	45,000	45,000
Total	\$	825,000		295,000		1,320,000	2,440,000

See accompanying independent auditor's report



## City of Dysart

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	2013	2012	2011	2010
Property tax	\$ 442,134	426,879	412,527	410,578
Tax increment financing	85,072	87,129	65,744	65,870
Other city tax	91,776	108,806	81,979	80,888
Licenses and permits	5,030	4,674	4,955	2,476
Use of money and property	11,574	12,778	12,866	16,874
Intergovernmental	152,583	234,790	139,146	133,092
Charges for service	127,567	113,022	144,012	130,468
Special assessments	2,487	43,885	2,131	18,841
Miscellaneous	95,207	218,624	72,333	77,464
Total	<u>\$ 1,013,430</u>	<u>1,250,587</u>	<u>935,693</u>	<u>936,551</u>
Disbursements:				
Operating:				
Public safety	\$ 344,976	281,277	279,864	206,347
Public works	76,714	198,521	127,218	89,943
Health and social services	-	-	-	-
Culture and recreation	207,549	247,952	196,179	185,374
Community and economic development	15,405	11,631	16,054	17,751
General government	56,963	71,606	56,772	48,250
Debt service	985,504	249,189	256,406	236,444
Capital projects	167,126	455,669	206,914	120,338
Total	<u>\$ 1,854,237</u>	<u>1,515,845</u>	<u>1,139,407</u>	<u>904,447</u>

See accompanying independent auditor's report



James R. Ridihalgh, C.P.A.  
Gene L. Fuelling, C.P.A.  
Donald A. Snitker, C.P.A.  
Jeremy P. Lockard, C.P.A.

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**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dysart's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 and II-B-13 to be material weaknesses.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

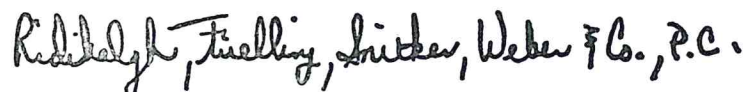
### **City of Dysart's Responses to Findings**

The City of Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Dysart's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. According, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

October 25, 2013

City of Dysart  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart did not expend federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2013.



City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Dysart does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Conclusion – Response accepted.

- II-C-13 Sewer Utility Rates – The City Council approved an ordinance to increase water rates effective January 9, 2013. Per an ordinance adopted January 2005, sewer rates are 30% of applicable water rates. After the current year water rate increase took effect the sewer rate was not increased to appropriately reflect 30% of the newly approved water rates.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers.

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the increased garbage rate.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Part III: Other Findings Related to Statutory Reporting:**

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted, however disbursements in the community and economic development function were over budget before the budget was amended. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will monitor expenditures and amend the budget in a timely manner in the future.

Conclusion – Response accepted.

III-B-13 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
---	----------------------------	--------

Bret Hennessy, Council Member, Owner of Shamrock Lawn Service	Lawn spraying / trimming	\$ 1,389
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In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Dysart

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- III-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted
- III-H-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-I-13 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2013.



City of Dysart

Staff

This audit was performed by:

Jeremy P. Lockard, CPA, Manager  
James Remington, Staff Auditor  
Brent Waters, Staff Auditor